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SUBJECT: (C) WTO AFFAIRS DG ON AUSTRALIA FTA, DOHA ROUND,
AGRICULTURE, MOFCOM REORGANIZATION

Classified By: Minister-Counselor for Economic Affairs Robert S. Luke,
Reasons 1.4 B and D.

11. (C) Ministry of Commerce (MOFCOM) World Trade Organization (WTO) Department Director-General ZHANG Xiangchen will travel with Premier Wen Jiabao to Australia on April 1, and then to Geneva for a WTO Trade Policy Review meeting on China. He described domestic pressures which could limit China's flexibility on agricultural issues in the WTO Doha round. Leadership of FTA negotiations with Australia are an important but heavy responsibility on top of his WTO-related work. He briefly discussed further reorganization of his Ministry and personnel matters therein, including changes afoot in MOFCOM's Department of Foreign Investment Administration. Embosffs exchanged views with Zhang at a recent dinner hosted by a Chinese law firm in honor of Georgetown University international trade law scholar Professor John Jackson, the 1973-74 General Counsel at USTR. End summary.

(U) Minister Bo,s April Travels

12. (SBU) MOFCOM Minister BO Xilai will depart Beijing on April 1 for Australia, New Zealand, Fiji and possibly other South Pacific destinations as part of Premier Wen Jiabao's delegation. DG Zhang will travel with the delegation at least as far as Australia; Zhang will go to Geneva later in the month (see para 9). After Minister Bo returns to Beijing from the South Pacific very briefly, he will depart for the United States for President Hu,s visit there, and will continue with his President to any other destinations. Essentially, Minister Bo will be out of Beijing almost continuously from April 1 to 28, Zhang said.

(U) FTA Negotiations with Australia

13. (C) On top of his WTO-related work, DG Zhang said the responsibilities he accepted by leading the Chinese delegation in Free Trade Area (FTA) negotiations with Australia had created much additional work. The responsibility for these FTA negotiations had been shifted over to him from DDG ZHANG Shaogang of MOFCOM,s Department of International Trade and Economic Affairs. According to Zhang Xiangchen, the Australian Government had encountered domestic criticism of its Free Trade Agreement with the United States, generating pressure on Australian negotiators to get right a far-reaching, detailed FTA with China. He appeared to speak with envy when he told us that Australia has a dedicated team of fourteen officials working on the FTA negotiations with China. (Comment: United Kingdom Embassy

officials in Beijing have previously told ECON that DG Zhang told EU Trade Commissioner Mandelson's delegation that 30 of the 48 filled positions in his WTO Affairs Department (of a total of 50 authorized positions) are working on the FTA negotiations with Australia. That so much of MOFCOM's resources may be committed to FTA negotiations, whether full-time or part-time, and not to WTO Doha Development Agenda issues and negotiations, undercuts higher-level professions of commitment to a speedy and successful end to the Doha round, or at a minimum shows that China is willing to let others carry much of the negotiating load. End comment.)

¶4. (C) DG Zhang said that Australia has asked that China open its market to Australian wheat, sugar and another agricultural commodity under the terms of the potential Sino-Australia FTA. Zhang claimed to Emboff that he told the Australian negotiators he could do this if/if Australia accepted one hundred thousand Chinese peasants as workers. He cited the complementarity between labor-rich China and land-rich but empty Australia and said that movement of natural persons is an appropriate topic for trade negotiations. He joked that China would not even ask for Australian citizenship for the one hundred thousand peasants.

(U) Agricultural Sensitivities

¶5. (C) At the December 2005 WTO Ministerial Conference in Hong Kong, the Chinese delegation had been contacted by Oxfam leaders about the possibility of allowing a popular singer in Hong Kong entry into China to give one or more free performances at which Oxfam concerns about the international cotton trade might be shared. Zhang said the request had been refused after brief consideration, principally because

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the intended destination for Oxfam and the singer was in China,s restive northwestern Xinjiang Autonomous Region. Zhang with some irony said that U.S. cotton subsidies may have been an underlying cause for Oxfam,s interest in this issue. We inferred from Zhang's comments some concerns at the central level about possible organization of farmers on international trade or any contentious issue. (Other dinner guests said they thought the referenced singer may in fact hail from Taiwan, though the singer had made his or her name in the Hong Kong market; Zhang dismissed possible Taiwan origins as being any part of the decision criteria on the Oxfam request.)

¶6. (C) Zhang further commented that Beijing had taken note that farmers from many countries had traveled to Hong Kong to protest globalization, subsidies or other issues on which the WTO Minister Conference might touch. Beijing had also recognized that Chinese farmers were not among those organized for such protests. Following the Hong Kong WTO Ministerial, Zhang added, "others" in China had criticized and added pressure on China,s trade negotiators for having not sufficiently taken into account farmers, interests (exemplified in part by other nations, protesting farmers) and having been too casual in making agricultural market access commitments in past negotiations. (Comment: Does DG Zhang inform us or attempt to influence us or both? Despite oft-repeated identification by the USG of common interests with China in the area of agricultural trade liberalization, Zhang,s comments suggest that any further China progress on U.S. agricultural interests will be slow, at best. End comment.)

(U) Interest in Chinese Participation in Informal WTO Meetings

¶7. (C) Zhang referenced informal six-party talks about the WTO Doha negotiations, which he said are convened in London and involve the United States, the European Union, India, Brazil, Australia and sometimes Japan. China has not been invited to such talks but remains very interested in them.

(U) Vice Minister Ma Xiuhong and Doha

18. (SBU) Emboff recounted a preliminary readout from a March 9 preparatory meeting in Washington for the April meeting of the Joint Commission on Commerce and Trade. He told Zhang his understanding that MOFCOM Vice Minister MA XiuHong (to whom the Department of American and Oceanian Affairs reports, but not the WTO Affairs Department) had bluntly rejected a U.S. suggestion that China and the United States make a strong statement endorsing a successful and timely conclusion to the WTO Doha Development Agenda round of trade talks. Zhang affirmed that Vice Minister Ma is not the Vice Minister to discuss WTO issues and emphasized Ma's strong desire to keep multilateral affairs separate from bilateral issues. Emboff rejoined that the JCCT presents an opportunity for both countries to make a strong statement about Doha when a goodly portion of the world's business and trade press will be watching for statements, and that the United States is not asking Vice Minister Ma, MOFCOM or China to make a new WTO-related commitment in asking for a statement of support about Doha at the JCCT. Zhang did not address this rejoinder.

(U) China Trade Policy Review at WTO in Geneva in April

19. (SBU) DG Zhang said his mid-April travel to Geneva is for the purpose of participating in a WTO Trade Policy Review examination of China's trade regime. Mr. HU YingZhi, formerly with China's Permanent Mission in Geneva and now back in MOFCOM's WTO Affairs Department, is leading preparations for China's participation in the Trade Policy Review. Zhang noted that China's delegation in Geneva will likely include officials from the Chinese Embassy in Washington, and asked whether the American Embassy in Beijing would be sending officers to the Trade Policy Review meetings.

(U) MOFCOM Reorganization and Personnel Issues

110. (C) Zhang told us that a new Trade in Services Department is now being established in MOFCOM. The Department of Machinery and Electronic Products Import and Export and two other departments are being merged into one. Mr. HU JingYan, until recently the DG of MOFCOM's Foreign

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Investment Administration, is the new DG of the new merged department. Mr. YU JianHua, a Deputy Director-General in the WTO Affairs Department, is widely rumored within MOFCOM to be taking over as the Foreign Investment Administration DG, Zhang said on March 11. (Note: Yu had also served as Acting DG of the WTO Affairs Department during the period of more than one year in which Minister Bo Xilai did not have a formal WTO Affairs DG, such as when the usual Acting DG, then DDG Zhang, was in Geneva or on the road elsewhere. Other MOFCOM officials have suggested that Assistant Minister YI XiaoZhun (to whom the WTO Affairs Department reports) had advocated Zhang Xiangchen's elevation to be DG, while Vice Minister GAO HuCheng had supported selection of Yu Jianhua. End note.)

111. (SBU) Zhang and other Chinese guests at the dinner said it is not uncommon for 400 applications to be received by central government agencies per vacancy. With such a high ratio of applicants to available positions, examination and interview questions have become increasingly difficult or even strange, and include questions on history. One question, which often separates those who advance in the screening process from those who are winnowed out, is, What would you do if at a meeting your boss makes a big mistake? The most common -- and wrong -- answer is, I don't think my boss in a government agency would make a big mistake. The correct answer on this multiple-choice question is, Pass him/her a note about the misstep, Zhang said.

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